

## Fitch Rates Hingham, Massachusetts' \$6.5MM GO's 'AAA'

Fitch Ratings assigns an 'AAA' rating to Hingham, Massachusetts' approximately \$6.5 million general obligation (GO) Municipal Purpose Loan of 2007 bonds. The bonds are scheduled to price competitively on Sept. 13 with Capital Markets Advisors, LLC serving as the town's financial advisor.

The bonds are secured by the town's full faith and credit, and proceeds will be used to redeem outstanding bond anticipation notes. In addition, Fitch affirms the 'AAA' rating on the town's approximately \$38.7 million of outstanding GO debt. The Rating Outlook is Stable.

The 'AAA' rating reflects Hingham's superior wealth levels and expanding tax base, strong financial position aided by solid management policies, and low debt ratios complemented by modest future capital needs. Exceptional schools and good transportation links to the Boston metropolitan area, including a popular commuter boat, have contributed to steady residential demand. The town has been able to maintain reserves well above policy minimums, and Fitch expects that comprehensive planning and forecasting practices will allow for the preservation of ample financial margins.

Located 15 miles south of Boston, Hingham is an affluent suburban community of about 21,784 residents. The town has benefited this decade from the housing market expansion, as robust residential development led to an 11.4% average annual gain in assessed valuation since fiscal 2002. Hingham's Linden Ponds and Hingham Shipyard residential development projects should continue to add to the tax base over the next several years. Many residents are employed in professional, executive, or managerial positions in Boston, and the local employment is based largely on retail and service-related establishments, which draw workers from surrounding communities. Major employers include Talbot's world headquarters and Sereno Laboratories. Blue Cross Blue Shield's new facility is expected to bring 1,300 jobs to the town, and local employment has grown by a solid average of 2.5% annually over the past three years, demonstrating the town's growing economic base.

The town's unemployment rate of 3.8% in July 2007 was well below commonwealth and national averages. Per capita money income was a high 160.7% and 193.2% of the commonwealth and national averages, respectively, using the latest available census figures.

The town's financial position is strong. The fiscal 2006 unreserved general fund balance equaled \$9 million, or 12.8% of expenditures, transfers out, and other uses. State aid reductions in the early part of the decade caused the town to draw down fund balances for capital spending, but balances have stabilized at the current level and state aid has since grown.

Financial policy calls for the maintenance of available reserves equal to 5% of forecasted revenues, which the town exceeds comfortably. Hingham's fiscal 2008 budget increases a modest 5.6% over fiscal 2007, with labor costs representing 69.2% of operating expenditures. Contracts with eight of the town's 11 collective bargaining units expired on June 30, 2007, and officials are engaged in renegotiations which could add to labor costs in future fiscal years. The town levies the maximum under the commonwealth's Proposition 2 1/2, but voter-approved exemptions for school operations and debt service provide taxing flexibility.

The town's debt burden is fairly low and should remain so, as the town's major infrastructure is in place. The overall debt burden is \$1,253 per capita and 0.49% of assessed value, net of the commonwealth's 61% reimbursement of school construction debt and self-supporting utility debt.

Debt service equaled a below-average 7.2% of general fund expenditures in fiscal 2006; amortization is above average at 71.5% in 10 years. School construction is the town's largest capital obligation and is strongly supported by the community, as evidenced by consistent voter approval of debt exclusions from the tax levy limit for school-related projects. The town's modest five-year capital plan totals \$19.5 million, the majority of which is funded with pay-go capital. The Hingham Contributory Retirement System is 73% funded, and the town fully funds its annual pension cost. The town's other post-employment benefits obligation is \$68 million and officials plan to fully fund the \$2.9 million annual required contribution within the next several years.

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